



**SUBSTANTIVE ANALYTICAL PROCEDURES IN SHARIA COMPLIANTS
AS AGREED-UPON PROCEDURES SERVICE IN ITALIAN CORPORATE
GOVERNANCE**

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Abstract

Islamic finance began to appear on the European scene as early as the early 2000s. The response of the states was, in general and with some relevant exceptions, rather disappointing. In Italy, for example, the spread of this phenomenon is hindered by the absence of regulatory frameworks, a distorted narrative and communication as well as technical and cultural barriers. This research aims to be a reflection on various aspects - historical, social and economic - of Islamic finance of which our country, by virtue of its geopolitical position and its historical traditions, should become more aware (Biancone 2014). This paper deals with the complex issue of Islamic finance through an innovative Agreed-Upon Procedures (AUP) service (ISRS 4400) auditing technique. The AUP is an agreed and not simplified auditing procedure with an intrinsic ability to spread confidence in the financial markets, especially if financial instruments far from the European mentality are introduced, such as Islamic finance. In this context, the auditing methodology of the Substantive Analytical Procedure (SAP) (ISA 520) is the most suitable from what emerges from the results of the investigation carried out to formalize the control activities of the Sharia Compliant (SA). Therefore, the paper concludes by highlighting the particularity of the auditing technique and methodology as a possible assurance tool in Sharia Compliant.

Keywords: Italian Corporate Governance, Sharia Compliant, Islamic Economic.

INTRODUCTION

Islam is religion, world and the sharia is that set of rules revealed directly by God and interpreted by the fiqh, reflecting the history of the umma, the community of the faithful that frames individual activities, including economic ones. The Islamic economy represents "that complex of practices, transactions, contracts and relationships between subjects finding inspiration and conform to the dictates and traditions of Islamic law" (Bellafemme 2012).

In this context, ethics plays a fundamental role: natural resources belong to Allah, consequently economic growth and protection of nature are the two poles within which human activities must be framed. Islam sees work, earnings, and investment well as long as they give positive results for the entire community both in terms of economic development and interpersonal relationships; that are, in short, compliant with Sharia's precepts, Sharia compliant.

The repercussions include the prohibition of monopoly and the encouragement of competition, albeit not in Smithian terms. State intervention policies are appreciated, in particular taxes and subsidies to reduce inequalities and promote development (at least in theory) are explicitly contemplated by the sacred texts. Islamic jurisprudence is based on revealed immutable truths, but its evolution and adoption are the result of a continuous confrontation with social, political and economic issues specifically local as well as global (Bellafemme, 2010).

The political and economic structures conceived between the end of the century VIII and the era of empires, remain substantially unchanged until the century XVIII, when, on the impulse of the encounter/ clash with the West, in the century XIX, in the Ottoman Empire, a series of innovations are made, Tanzim t, on Western models (Alfiero, 2014).

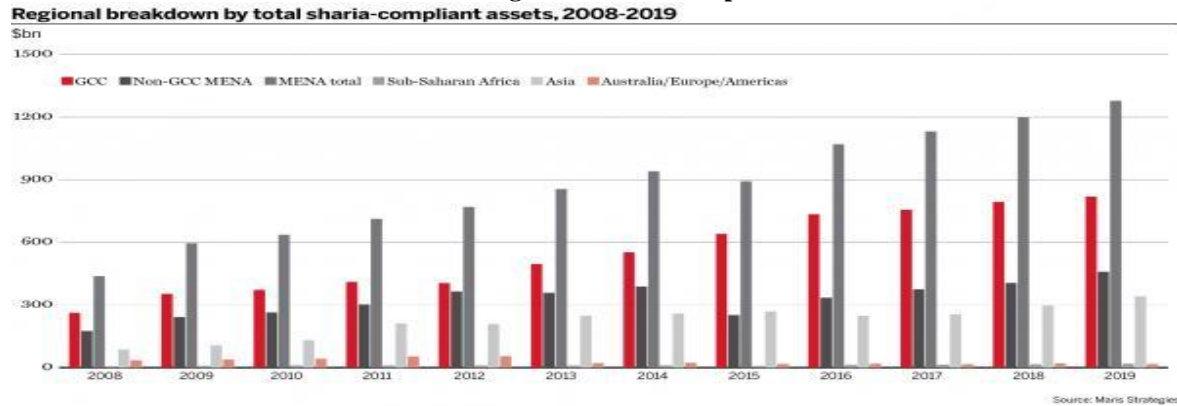
The so-called Islamic finance was conventionally born in 1963 in Egypt, with the foundation of the Rural Saving Cash. Created on the model of European cooperative banks, primarily analyzing the needs of local populations and businesses, it had an important function of economic and social development. Furthermore, the huge financial surpluses generated by the oil crises of 1973, 1979 and 2003-2008, which at the beginning are invested mainly in Western countries, over time are allocated to the instruments made available by Islamic finance for the need to diversify the portfolio titles (Alvaro, 2012).

The Islamic Development Bank (IDB) was born in 1975 within what is the current Organization of the Islamic Cooperation (OIC), with the aim of supporting development in accordance with Sharia's precepts on a global scale (Biancone, 2019). Between the 1980s and

1990s several countries (Biancone 2018) Islamized the entire national banking system, and, despite the scandals involving Egyptian institutions, and the bankruptcy of the Bank of Credit and Commerce International (BCCI) in 1991, Islamic finance did record constant development, at least until 2018.

"The Middle East saw a bifurcation with the six countries of the Gulf Co-operation Council (GCC) witnessing very different growth to the rest of the region. And while Asia and sub-Saharan Africa continue to post double-digit growth in terms of assets, the star of 2018's rankings in terms of percentage growth - Australia / Europe / Americas - experienced a significant setback "(Biancone 2018).

Graphic 1
Regional Sharia-Compliant



Source: Our Elaboration

If on the one hand, after the events of 11 September 2001, the mutual trust between Islamic worlds and Western financial institutions is diminishing, on the other, the latter have tried to regain that slice of the "market" by establishing products and services entirely dedicated to the Muslim world to try to attract savings streams. Particularly, in Europe, the Islamic banking system began to be the subject of debate in the early 2000s, especially in Great Britain, demonstrating that Islamic finance is not necessarily opposed to Western / conventional finance. Standard & Poor's (S&P) (Islamic Finance Outlook 2020 Edition) estimates the current total value of this industry to be close to \$ 2.4 trillion.

In the two-year period 2020-2021, it is expected that the growth rate of Islamic finance will suffer a contraction (especially in the Islamic banking sector) due to the institutional measures taken to stem the Covid-19 pandemic, and as a consequence of the recession in those countries (Malaysia, Indonesia, Iran, Pakistan) representing the beating heart of the industry.

Nonetheless, a slow recovery is expected already in the second half of 2021, essentially driven by the standardization of financial instruments, digitization, and the possible alignment between Islamic criteria and principles of environmental sustainability (Biancone, 2019).

Assignments for carrying out verification procedures required by client relating to financial reporting. Also known as Agreed-upon or Agreed-upon Procedures (acronym AUP). An agreed-upon procedure (ISRS 4400) assignment is to carry out specific procedures typical of a complete audit, agreed with the counterparty and with any interested third parties, and report the findings (so-called factual findings).

Procedures agreed on: 1) specific elements of the financial statements; 2) a single statement of the financial statements; 3) on the financial statements as a whole; 4) on the other statements, generally accounting; 5) Examples of use of agreed procedures; 6) reports for Supervisory Authorities, Ministries, European Commission (contributions); 7) assistance to statutory auditors or attesters; 8) Verification of compliance with financial covenants (loans); 9) IT systems audits; 10) internal audit services (compliance with internal procedures/ professional standards); 11) issue of comfort letters (placement of securities).

The principle focused on assignments relating to financial reporting can also be used for assignments relating to non-financial reporting. The auditor's objective is: 1) Carry out pre-agreed procedures the nature of which has been agreed upon between the auditor, firm and any appropriate third party; 2) Stop a report that reports the results of the procedures carried out with: a) no professional judgment; b) conclusions are drawn by users; c) restricted circulation of the report.

The auditor: 1) must comply with the "Code of Ethics for Professional Accounts - IESBA Code); 2) it is not required to be independent, other than agreements or regulations; 3) if he is not independent, he must declare it in the report; 4) does not refer to ISAs but to ISRS 4400 and the terms of the assignment. It is not necessary to carry out: 1) planning (ISA 300); 2) risk analysis on the internal control system.

A concerted procedures engagement differs from a review of a single budget item. This latter task is carried out on the basis of the ISAs and it is the auditor who determines the nature and sufficiency of the procedures to be carried out and expresses an opinion (including the definition of the level of significance sample sizes). Procedures typically applied in a concerted procedure engagement may include: 1) surveys and analyzes; 2) recalculations, comparisons and

other accuracy checks; 3) observations (e.g. physical counts); 4) inspections; 5) acquisition of external confirmations.

The report describes the objectives of the assignment, the required procedures and reports the results of the same in sufficient detail by enable the reader to understand the nature and scope of the work carried out. The report does not report any conclusions or considerations beyond results emerged from carrying out the procedures.

Over the last ten years, the attention of the West towards finance Islam has been growing. If, on the one hand, Western financial institutions, in the attempt to regain the trust of the Islamic world, they developed products, services and institutions entirely dedicated to it. On the other hand, many American and European intermediaries (such as Citigroup, Deutsche, HSBC, UBS, Standard Chartered) have created Islamic windows, i.e. separate internal structures (both legally than accounting) that offer Islamic Finance products and services.

Within the European Union, the development of Islamic finance has also been favored by the fact that the Muslim community in Europe has over 17 million people, equal to 4.6% of the total population. The European country that is most open to Islamic finance is, undoubtedly, the United Kingdom.

Italy does not know any significant initiatives in the field of Islamic finance, despite the fact that it hosts about one and a half million Muslims, representing 32.9% of the foreign resident population and almost three percent of the entire national population.

The presence in Italy of said Islamic community, combined with operations in Italy of major sovereign wealth funds of Muslim countries, offers to issuers and intermediaries Italians an important opportunity to attract (or keep) savings in Italy Islamic subjects. The investments that Islamic institutions can make in Italy, especially in infrastructure, made in Italy. In innovation and research, they could in fact prove decisive for the growth and competitiveness of our still largely manufacturing economic system. Opportunity that can be exploited by Italian issuers and intermediaries in a twofold way: a) offering Islamic financial products and services in Italy; b) by raising capital from Islamic subjects through the use of products of conventional finance but with respect for the rules of Islamic finance.

This paper deals with the topic of AUP and is divided into the following sessions: Koranic characteristics of Islamic finance; Islamic finance and its “immunity” in the face of

financial crises; Islamic finance in Italy: from the first steps to future prospects; Sharia audit methodology and conclusion findings.

REVIEW OF LITERATURE

Let's take a closer look at how Islamic finance works through some concepts and tools. As mentioned, it is regulated by the sharia and is part of the "umma system" in which individual choices and activities are placed.

In a system where everything happening is considered the will of God, uncertainty (prohibition of entering into contracts including elements of uncertainty and/ or ambiguity), *ghàrar*, and speculation, *maysir*, are condemned like the *ribà'* and the goods and services has no reason; of course: It does not mean that there are no guarantees. Specifically, the incompatibility of conventional insurance with the Sharia precepts begins to be discussed in the 80s of the twentieth century. In 1985 the Grand Council of Islamic Jurists of the OIC approved the *takàful* (Biancone 2016) system concerning, precisely, the insurance sector, as an alternative and based on cooperation and mutual assistance. Free from both *maysir* and *gharar*, the institution *at-tabarru*, the donation, regulates the relationship between each individual insured and the mutual fund.

The payment of *zakàh* (Biancone 2016) as a moral duty and as regulated by precepts also finds its reason in the objectives of equity and economic-social justice that are the basis of the Islamic model. The *zakàh* represents an important instrument of economic policy in achieving objectives of income redistribution.

Similarly, in line with the Islamic principle that there can be no gain without risk taking, since the future outcome may not be fair for the parties involved, is the prohibition of *ribà'*: *ribà' an-nasi'a* (of debt), and *ribà'af-fadl* (of exchange). The first refers to the time extension that the debtor grants to the creditor for the repayment of the loan in exchange for the payment of a premium (interest, in fact). The prohibition lies in setting based on an increase on the capital which is considered both fair and unfair since money is not considered a store of value, but only a medium of exchange. The second refers to non-monetary exchanges between goods: bartering, and exists to ensure more equity and less conflict in exchanges both at a qualitative and quantitative level.

How to bypass this predisposition to date? The AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) has authorized forms of participatory financing

excluding the interest rate and which are based on the principle of Profit and Loss Sharing (PLS) for which all the parties involved in a contract are called to respond to the "sharing of profits and/ or losses that the project has generated". The PLS is the basis of the contractual structures of the mudàraba and the mushàraka, used in partnership schemes (Biancone 2015).

Specifically, the mudàraba contract is configured as a double sale in which the customer participates only in the profits. The distribution of capital and profits is made between shareholders and heirs. In the mushàraka contract, however, the customer participates in both profits and losses. The parties pool capital and labor and then divide the profits, losses, project management (Biancone 2012).

Hence the Islamic bank is configured as a fund manager that collects deposits to invest in business projects, exposing itself to risk profiles (Almulhim 2019). It does not grant interest-bearing loans, but invests in transactions in the form of exchange, participation, or leasing agreements. In the presence of income that is not consistent with Islamic principles, these sums are set aside as reserves and distributed for charitable purposes. In order to analyze the consistency of earnings with the doctrinal precepts, the banks are equipped with the sharia board, committees composed of doctors of Islamic law, whose fatàwa certify that the banking activity takes place in compliance with Islamic principles, influencing, on the contrary, operation.

RESEARCH METHODS

This article applies critical approach on phenomenon development of world Islamic bank particularly in Italy. This particular phenomenon is aside with law and regulations in regards to Islamic principal of law of Qur'an-Hadist based, whether it fits or contradicts. Literature that is used in this article comes science journal based, nationally and internationally and completed with science-books and experts.

RESULTS AND DISCUSSION

Islamic Finance and its "Immunity" in the Face of Financial Crises

Confined to the precepts of a millenary sacred text, Islamic finance strives to combine the canons of allocative efficiency with respect for those religious, ethical and social principles having been extensively described above. Its priority objectives include limiting the occurrence of moral hazard phenomena and information asymmetries, emphasizing the fiduciary element in the creditor-debtor relationship.

In most of the contributions on the subject, Islamic finance is often portrayed as possessing a sort of immune system, an "armor" capable of making it impermeable to financial crises - at least to crises of a speculative nature and with similar characteristics to those that ravaged the Western economy during the first decade of this century.

This, however, would not only be the consequence, as we often read, of the prohibition imposed by the Koran on Islamic finance to operate in high-risk investment sectors or activities. This is demonstrated by the fact that the real estate market - a sector traditionally subject to the formation of speculative bubbles - is one of the sectors with the most intense use of Islamic financial instruments.

It is a widespread opinion (Draghi 2009), shared by the authors of this contribution, that further reasons are to be found in the strict regulation and supervision of the operational criteria of Islamic banks put in place by the committees of doctors of Islamic law (the Sharia Supervisory Boards) and in the absence of dispersion of credit risk.

Obviously, it is not possible, at least for the moment, to have a factual counter-proof of what has just been stated: in order to effectively verify the resilience of Islamic finance it would in fact be necessary to empirically observe the reaction of the Islamic banking and financial system in the face of the formation and the progress of a crisis in the most exposed regional contexts. Nonetheless, from the analysis of the underlying causes of the most recent Western financial crises, elements in favor of this alleged "immunity" of Islamic finance seem to actually emerge (always at a theoretical level).

The subprime mortgage crisis (2007-2008) lends itself perfectly to the purpose and is therefore taken here as a term of comparison. The various reasons behind the subprime crisis have their roots in the twenty years preceding the bankruptcy of Lehman Brothers. In the 1980s, the American banking system underwent profound changes: in particular, in the context of that changed economic-cultural climate which is generally referred to as the "Washington Consensus" (Conti 2010), policies of liberalization and de-regulation of markets, including financial markets. Deregulation creates profitable investment opportunities both within individual countries and through investments in other countries but shifts the time horizons of investment from the long term (productive investment) to the very short term (speculative movements) (Johnson 2000).

Even the outflow of capital in search of less risky investments (flight-to-quality) can now happen in a rapid and disordered way, with imitative behavior and causing serious problems of financial instability.

The deregulation of the financial markets was accompanied, in those years, by the modification of the operating criteria of the banks (the transition from a "generate to hold" model to a "generate to distribute" model), the proliferation of derivative financial instruments (Abs, Mbs, CDO, CDO2, CDS) and a badly conceived "securitization".

The combination of these factors, combined with the unreliability of the national authorities responsible for monitoring and the incompetence (bad faith) of the rating agencies, determines a systematic spread of credit risk throughout the financial system.

Basically, American banks, which are also subject to considerable political pressure (the "A house for all" policy), lose the incentive to control the quality of their customers as well as their effective ability to repay the debts incurred.

Well, it is evident that the occurrence of these situations is much less likely in the context of Islamic finance: 1) Firstly, the sharing of investment risks (PLS) automatically generates a strong interest in mutual control between creditor and debtor, encourages communication and transparency between all parties involved in a transaction. Communication and transparency in turn contribute to improving market discipline by implicitly providing a mechanism through which to control riskier loans and ensure greater financial stability (Khan 1997); 2) Secondly, derivative financial products which do not perform a risk hedging function but which have a purely speculative purpose are, unanimously considered prohibited by Islamic law; 3) thirdly, since Islamic finance is based on equity and not on debt, even in the presence of possible bad debts, the mortgage loans would have been supported by a solid capital structure. 4) Finally, constant and independent monitoring is guaranteed, in addition to the aforementioned Sharia Supervisory Boards, also by international bodies which, in dictating guidelines and codes of conduct for companies operating in the industry, take into account the so-called sharia risk (Siddiqi 2004).

These include, in addition to the aforementioned AAOIFI, the International Financial Services Board (IFSB), the International Islamic Financial Market (IIFM) and the International Islamic Rating Agency (IIRA).

Islamic Finance in Italy: From the First Steps to Future Prospects

For several years, we have been hearing about the potential offered by Islamic finance in Italy. Already in 2006, Giovanni Lippa - at the time a lecturer at the "Jean Monnet" School of Political Studies and European and Mediterranean Higher Education and today in the managerial framework of Banca UBAE (Union of Arab and European Banks) - encouraged operators Italians not to miss the opportunity but rather to "anticipate the needs of Islamic customers by opening up to an expanding potential market" (Harrison 2013).

At the forefront of this path is undoubtedly Great Britain (Mohammad 2013) which, as already mentioned, has carved out a place of primary importance for the spread of Islamic finance. In fact, following the 'no obstacles, no special favors' principle, it amended its tax system (for example by eliminating the double registration tax on real estate financing in 2003) and established specific standards of capital coverage and risk management for creating a favorable environment for the introduction of Islamic finance.

In Italy, on the contrary, the development of Islamic finance has been strongly influenced by the failure to prepare a favorable regulatory framework, both in fiscal terms (registration tax, tax deductibility of financial charges, VAT) and regulatory (transposition of Islamic products in the definition and regulation of banking activity): the first mudaraba transaction carried out in Italy (Azman 2016) proved to be extremely expensive due to the persistence of the double registration tax on the murabaha, due to the fictitious double transfer of ownership of the property.

A second Italian initiative in the Islamic sector (Chapra 2008) instead required several months of legal and fiscal analysis to be able to satisfy both the needs of the sharia and those of the Italian civil code.

Despite the lack of a reference regulatory framework, indispensable for the development of the sector, since 2010 conventions, seminars, printed and online publications on Islamic finance and banks have proliferated. The sudden rise of the sector attracted the attention of the Bank of Italy (FAS 3) and of other major Italian banking and insurance groups (including MPS and Assicurazioni Generali), induced to commission feasibility studies for the introduction, in the own offering, of sharia compliant tools and services (AAOIFI 2020).

From a legal point of view, however, Islamic financial instruments seemed to be able to fit into our legal system without great difficulty, according to what the CONSOB concluded in an authoritative 2014 survey (STANDARD&POOR'S 2020).

In 2017 something finally appeared to be moving from the point of view of the regulation of some Islamic financial products, thanks to a bill - signed by the then deputy Maurizio Bernardo - presented to the Chamber of Deputies on 2nd May and entitled "Provisions concerning tax treatment of Islamic finance operations ". The objective of the proposal, as is clear from the preamble, was twofold: on the one hand, to create a well-defined regulatory framework to incentivize the entry of investments from abroad; on the other hand, applying the taxation of traditional financial instruments to the Sharia compliant ones.

The end of the XVII legislature, however, caused the decay of the proposed law and the great economic opportunities connected to it. Italy has lagged behind other European countries, despite our geographic positioning, the network of small financial institutions spread throughout the area and the growing interest in sustainable finance make our country a natural candidate for the development of the products in question.

Why? Let's put forward some hypotheses, One of the reasons could be the lack of interest in a product mistakenly deemed not accessible. The name in Arabic of the financial instrument - in the absence of a transposition law (and therefore a "translation") of the same - could have led to believe that Islamic financial instruments are aimed only at Muslim clients. The experience of other countries shows that this is not true at all. A second obstacle, perhaps more difficult to solve, can be identified in the lack of personnel specialized in the functions of sharia compliance and is therefore linked to the lack of investment in human capital and training.

This could also lead to strong competition in the future between intermediaries in order to acquire the best human resources with a consequent increase in management costs. The most important reason, however, seems to be the lack of political will on the part of the competent authorities. In other word, it could be affirmed that a sort of political and cultural discrimination persists in Italy more than elsewhere, preventing a rapid integration of this reality. In an interview released in 2014, Alberto Brugnoli, founder of Assaif, the first Islamic finance office to work in Europe, said that Islamic finance would be able, technically tomorrow, to issue sukuk on the Italian market. However - Brugnoli argues - finance can only exist in relation to a political agreement that the ruling class has repeatedly postponed.

The great interest in Islamic finance on the part of the conventional financial world is therefore a counterpoint to a public opinion on average and in the media hostile to Islam, so that it is not yet understood how mass investments in products can be hypothesized. Sharia compliant by Muslim and non-Muslim citizens.

Yet in Italy, the potential for rapid development of the Islamic Banking sector exists and is reflected in the strong similarities that exist between it and the Italian banking sector, in particular with the typically Italian phenomenon of savings banks and cooperative banks, which have allowed the affirmation of a production system centered on small and medium enterprises. The very close relationship between bank and company has in fact led to customer loyalty and to the development of a high level of knowledge of the entrepreneurial fabric and the reality of individual companies. The experience gained with popular banks and cooperative credit banks could now be redirected to favor the establishment of Islamic operators in the area.

Sharia Audit Methodology

Substantive analytical procedures (ISA 520) provide for the comparison of data and financial information, balance sheet and income statement of the company with other comparable data (Grais 2006). By way of example, the comparisons are made between: a) Performable data and information relating to previous periods; b) the results that the company expects to achieve, expressed in the estimates and budgets, with the estimates carried out by the auditor, such as, for example, the estimate of the amount of depreciation; c) Sector data, such as the comparison between the duration index of the company's exposure to customers with the average sector index or the index of companies of similar size in the same sector.

Figure 1
Audit Procedures



Source: Our Elaboration

Substantive analytical procedures also include examining correlations such as: a) those existing between financial, equity and economic data that it is conceivable to follow, based on the experience and knowledge acquired, a predictable trend (for example the relationship between gross operating result and revenues); b) those existing between financial, equity and economic data and other significant data, (for example the ratio between total labor cost and number of employees).

Various methodologies can be used to carry out the substantive analytical procedures (Elgari 2007): ranging from simple data comparison to complex analyzes carried out with the use of advanced statistical techniques. The procedures can be applied to financial statements, financial statements group consolidated financial statements, on the financial statements of the various components (such as subsidiaries, operating divisions, business sectors) and on individual financial, equity and economic data. The choice of procedures, the methodologies to be applied and their breadth depend on the auditor's professional judgment.

Figure 2
Audit Template

Substantive analytical procedures		
Type	Description	Points
Low risk remaining	"Effectively" proves recorded amount	4
Moderate risk remaining	A moderately effective procedure	3
Other	No points (already included in "Substantive procedures — basic").	

Source: Our Elaboration

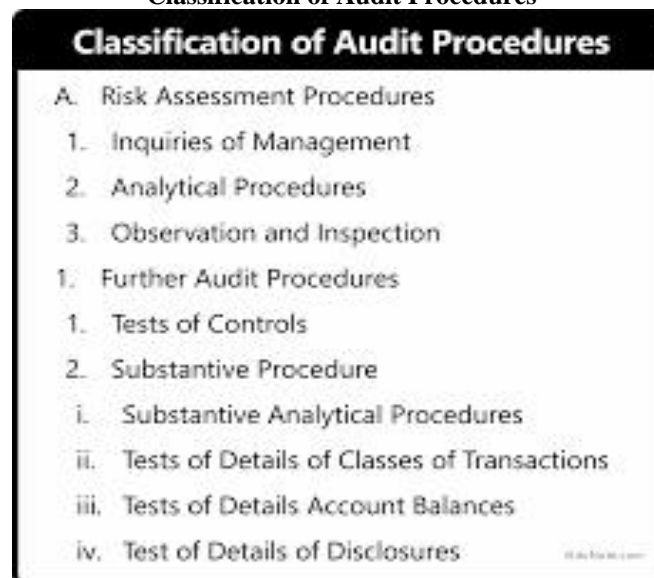
Substantive analytical procedures are used for the following purposes: a) assist the auditor in planning the nature, timing and extent of the others audit procedures; b) help reduce the risk that any material misstatement in specifications will not be detected financial statement assertions, if such procedures are used, in addition to other review, such as substantive procedures, analytical procedures can be used as substantive procedures in the absence of other audit procedures, only in the presence of accounts which are not individually significant and a

related assessment of the intrinsic risk and control at a low level; c) examine the financial statements as a whole, in the final verification phase of the audit work.

The level of confidence that the auditor attributes to the results obtained from performing these procedures depends on the following factors: a) the significance of the elements examined; for example, if year-end inventories are material in the context of the financial statements, the auditor will not rely solely on analytical procedures to draw his conclusions; b) other audit procedures carried out with the same objective; for example, those carried out to examine the collectability of receivables, such as the examination of subsequent collections, can confirm or dispel doubts arising from the performance of comparative analysis procedures on the clients; c) the accuracy with which it is possible to predict the expected results from the comparative analysis procedures. For example, more consistency should normally emerge from the comparison between gross profit margins relating to two periods rather than the comparison between variable expenses such as, for example, research or advertising; d) the assessment of inherent risk and control risk; for example, if internal control on sales order processing is weak and therefore the control risk is high, it is .

It is necessary to rely more on detailed checks of individual transactions or individuals balances, which on benchmarking procedures.

Figure 3
Classification of Audit Procedures



Source: Our Elaboration

CONCLUSION

In recent years, Islamic finance has become both an area whose size they have grown enormously to form a sizeable segment of the markets global financials is an important (as well as distinctive) alternative model of financial intermediation. Today the assets attributable to Islamic finance have a total value of 1,800 billion dollars, thus representing over 1% of world finance.

Islamic finance, seen from the perspective of the Islamic saver, also represents a possibility to expand the investment choices available, as well as the guarantee that no one in Italy will be denied access to financial services and products based on their religious beliefs. For these reasons it is particularly important to evaluate the presence of potential obstacles to the offer of Islamic finance products and Sharia compliant conventional finance by Italian issuers and intermediaries to subjects as well as the identification of tools aimed at increasing the attractiveness of the Italian market towards Islamic subjects.

From this point of view, the study focused on three themes: a) the compatibility of Islamic finance products and practices with the principles of finance conventional, b) the reorganization of the main Islamic financial products (shares, sukuk and mutual funds) - if and to the extent standardized and suitable for be traded on the capital markets - in the case of "transferable security" referred to in art. 1, paragraph 1-bis of the TUF and c) the transparency regime to which Islamic financial products and Shari'ah compliant conventional finance products must be subject.

When substantives analytical procedures identify significant fluctuations or non-relationships consistent with other relevant data and information or that deviate from expected results, the auditor must carry out further investigations and obtain adequate explanations as well as appropriate audit evidence. Normally this investigation starts with requests for information to the Management, following these aspects which the auditor must: a) seek confirmations on the validity of the management's responses; for example by comparing the answers with the knowledge acquired by the auditor on the activity of the company and with the other audit evidence obtained during the performance of the audit; b) based on the results of such requests, assess the need for other audit procedures, in the event that the Management is unable to provide an explanation or if the explanation is not considered adequate.

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